

**ESTIMATED REVENUE EFFECTS OF H.R. 2896,
THE "AMERICAN JOBS CREATION ACT OF 2003"**

Fiscal Years 2004 - 2013

[Millions of Dollars]

Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
Corporate Reform and Growth Incentive Provisions													
A. Reduction in Corporate Income Tax Rates - 33% Corporate Income Tax Rate Applies to Taxable Income Over \$75,000 and Under: \$1 Million in 2005 Through 2008, and \$2 Million in 2009; 32% Corporate Income Tax Rate Applies to Taxable Income Over \$75,000 and Under \$5 Million in 2010 and 2011, and \$10 million in 2012 and Thereafter [1]	tyba 12/31/04	---	-496	-846	-833	-1,001	-1,293	-2,904	-3,607	-4,121	-4,395	-3,176	-19,496
B. Extension and Modification of Research Credit - extension of present credit through 12/31/07; new alternative credit available after 6/30/04 with 12% credit rate, 60% of qualified research expenses, and use previous five years qualified research expenditures, disregarding the high and low years, in calculation of base amount	tyba 6/30/04	-567	-3,686	-4,826	-5,861	-4,037	-2,111	-1,277	-599	-125	---	-18,977	-23,089
C. Incentives to Reinvest Foreign Earnings in United States - temporary deduction by United States shareholders for dividends received from controlled foreign corporations	[2]	4,406	-1,544	-2,280	-1,029	-762	-446	-397	-338	-297	-246	-1,209	-2,933
D. Two-Year Extension of Increased Expensing for Small Business - increase section 179 expensing from \$25,000 to \$100,000 and increase the phaseout threshold amount from \$200,000 to \$400,000; include software in section 179 property; and index both the deduction limit and the phaseout threshold after 2003 (sunset after 2007)	tyba 12/31/05	---	---	-3,833	-6,832	-899	3,493	2,338	1,645	1,211	854	-11,564	-2,023
E. Depreciation													
1. One-year extension of bonus depreciation (sunset after 2005)	ppisa 12/31/04	2,776	-45,303	-26,843	9,122	11,513	11,362	9,839	7,191	5,235	3,104	-48,735	-12,004
2. 20-year straight-line cost recovery for:													
a. Qualified leasehold improvements	ppisa DOA	-34	-71	-138	-230	-336	-447	-560	-673	-788	-901	-809	-4,178
b. Qualified restaurant improvements	ppisa DOA	-873	-896	-429	-45	-92	-142	-195	-250	-307	-365	-2,335	-3,594
3. Manufacturing equipment depreciation - reclassify 5-year manufacturing property to 3-year property, reclassify 7-year manufacturing property to 5-year property, and reclassify 10-year manufacturing property to 7-year property	ppisa DOI	-1,278	-1,875	-2,928	-4,310	-5,042	-4,886	-4,480	-3,996	-3,260	-2,623	-15,433	-34,678
F. Five-Year Carryback of Certain Net Operating Losses - extend 5-year NOL carryback from 2002 bill for 2003 and waive the AMT 90% limitation on the allowance of losses (including losses carried forward into tax years ending in 2003 (sunset after 2003)	NOLs gi tyea 12/31/02	-19,385	4,047	3,305	2,499	1,540	1,104	776	557	360	228	-7,994	-4,969

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G. Alternative Minimum Tax Relief													
1. Repeal 90% limitation on use of FTC and NOLs against the AMT	tyba 12/31/03	-1,299	-1,401	-1,068	-1,055	-1,049	-1,052	-1,061	-1,078	-1,102	-1,132	-5,872	-11,297
2. Expansion of exemption from alternative minimum tax for small corporations to \$15 million	tyba 12/31/03	-78	-91	-91	-95	-90	-86	-83	-81	-80	-80	-445	-855
3. Modify AMT depreciation method: apply 175% declining balance method	ppisa 12/31/05	---	---	-310	-939	-1,259	-1,072	-693	-393	-231	-90	-2,508	-4,987
H. S Corporation Reform and Simplification													
1. Treat members of family as one shareholder (3 generations) (includes interaction with line 2 below)	tyba 12/31/03 & eatma 12/31/03	[3]	-1	-2	-3	-4	-4	-4	-4	-4	-4	-10	-30
2. Increase in number of eligible shareholders to 100	tyba 12/31/03	-17	-42	-54	-64	-72	-77	-79	-81	-81	-82	-250	-650
3. Expansion of bank S corporation eligible shareholders to include IRAs	DOE	-16	-33	-34	-36	-37	-39	-41	-43	-45	-47	-156	-371
4. Disregard of unexercised powers of appointment in determining potential current beneficiaries of ESBT	tyba 12/31/03	----- Negligible Revenue Effect -----											
5. Transfer of suspended losses incident to divorce	tma 12/31/03	-1	-2	-2	-2	-2	-3	-3	-3	-3	-3	-10	-24
6. Use of passive activity loss by subchapter S trust income beneficiaries	tma 12/31/03	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-8
7. Exclusion of investment securities income from passive income test for bank S corporations	tyba 12/31/03	----- Negligible Revenue Effect -----											
8. Treatment of qualifying director shares	tyba 12/31/03	-4	-10	-13	-14	-15	-16	-16	-16	-17	-17	-56	-138
9. Relief from inadvertently invalid qualified subchapter S subsidiary elections and terminations	tyba 12/31/03	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-7	-15
10. Information returns for qualified subchapter S subsidiaries	tyba 12/31/03	----- No Revenue Effect -----											
I. Protecting Employee Benefits													
1. Treatment of nonqualified deferred compensation plans	adi tyba 12/31/03	154	168	91	31	15	14	13	97	127	114	460	825
2. Exclusion of incentive stock options and employee stock purchase plan stock options from wages	saptoea DOE	----- No Revenue Effect -----											
3. Extend provision under section 420 permitting qualified transfers of excess defined benefit pension plan assets to 401(h) accounts (through 12/31/13)	DOE	---	---	18	38	40	40	40	40	40	40	97	298
J. Treatment of Active Income													
1. Repeal of CFC rules on foreign base company sales and service income	[4]	---	---	-1,080	-3,728	-4,008	-4,329	-4,718	-5,096	-5,503	-5,942	-8,816	-34,404
2. One-year extension of exception of active financing income from foreign personal holding company income (through 2007)	tyba 2006	---	---	---	-948	-1,790	---	---	---	---	---	-2,738	-2,738
3. Look-through treatment of payments between related CFCs under foreign personal holding company income rules	[5]	---	-72	-203	-219	-235	-249	-272	-292	-314	-337	-729	-2,193
4. Look-through treatment for sales of partnership interests	[5]	---	-39	-91	-96	-101	-106	-111	-116	-122	-129	-327	-911
5. Repeal of foreign personal holding company rules and foreign investment company rules	[5]	---	-25	-65	-73	-81	-91	-102	-114	-128	-143	-244	-822
6. Clarification of treatment of pipeline transportation income	[5]	---	-1	-7	-9	-11	-14	-19	-24	-32	-44	-28	-161

Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
7. Determination of foreign personal holding company income with respect to transactions in commodities	teia 12/31/04	---	-4	-10	-10	-10	-10	-11	-11	-11	-11	-34	-88
8. Repeal of CFC rules on foreign base company shipping income [6]	[5]	---	-6	-42	-52	-64	-76	-88	-98	-108	-118	-164	-652
K. Reduction in Double Taxation on Corporate Earnings													
1. Interest expense allocation rules	tyba 12/31/05	---	---	-840	-2,210	-2,298	-2,391	-2,487	-2,586	-2,689	-2,797	-5,348	-18,298
2. Recharacterization of overall domestic loss to apply in determining section 902 and 960 credits	lf tyba 12/31/04	---	-51	-615	-647	-680	-713	-756	-793	-829	-862	-1,993	-5,946
3. Reduction to 2 foreign tax credit baskets [7]	tyba 12/31/04	---	-557	-749	-824	-900	-927	-1,002	-1,039	-1,078	-1,119	-3,030	-8,195
4. 10-year foreign tax credit carryforward	[8]	---	-115	-343	-412	-577	-692	-779	-857	-942	-1,036	-1,447	-5,753
5. Look-through rules to apply to dividends from noncontrolled section 902 corporations	tyba 12/31/02	-585	-77	-51	-23	-6	-1	[9]	[9]	[9]	[9]	-742	-743
6. Attribution of stock ownership through partnerships to apply in determining section 902 and 960 credits	tyba DOE	---	-1	-3	-3	-3	-3	-3	-3	-3	-3	-10	-25
7. Clarification of treatment of certain transfers of intangible property	aro/a 8/5/97	-22	-4	-5	-5	-5	-5	-5	-5	-5	-5	-41	-66
8. Application of uniform capitalization rules to foreign persons	tyba 12/31/04	---	-125	-278	-79	-27	-8	-12	-14	-16	-18	-509	-577
9. United States property not to include certain assets acquired by dealers in ordinary course of trade or business	[5]	---	-1	-12	-12	-12	-13	-13	-14	-14	-14	-37	-105
10. Treatment of certain dividends of regulated investment companies	[10]	-14	-45	-52	-61	-63	-65	-66	-68	-70	-73	-235	-577
11. Election not to use average exchange rate for foreign tax paid other than in functional currency	tyba 12/31/04	----- <i>Negligible Revenue Effect</i> -----											
12. Repeal of withholding tax on dividends from certain foreign corporations	pma 12/31/04	---	-2	-3	-3	-3	-3	-3	-3	-3	-3	-11	-26
13. Interaction	---	---	217	678	698	719	741	802	826	851	877	2,312	6,409
Total of Corporate Reform and Growth Incentive Provisions		-16,839	-52,146	-44,056	-18,376	-11,746	-4,618	-8,434	-11,941	-14,506	-17,424	-143,164	-200,087
Provisions to Reduce Tax Avoidance Through Corporate Earnings Stripping and Expatriation													
1. Reduction in potential for earnings stripping by further limiting deduction for interest on certain indebtedness (eliminate debt/equity safe harbor, use 35/25% generally for pre-2005/after (and 50% for guaranteed debt), eliminate excess limit carryforward, and change excess interest carryforward period for net interest expense/ATI test to 10 years)	[11]	60	67	151	315	352	393	399	409	419	430	945	2,995
2. Tax treatment of expatriated entities	tyea 3/4/03	27	19	24	28	30	32	37	43	48	52	128	340
3. 15% excise tax on stock compensation of insiders in expatriated corporations	[12]	11	7	7	7	7	7	8	8	8	8	38	78
4. Reinsurance of United States risks in foreign jurisdictions	rra DOE	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	2	5
5. Revision of tax rules on expatriation of individuals	ea 2/27/03	19	18	21	24	28	32	37	43	49	56	110	327
6. Reporting of taxable mergers and acquisitions	aa DOE	1	2	3	3	3	3	3	3	3	3	12	27
7. Studies	---	----- <i>No Revenue Effect</i> -----											
Total of Provisions to Reduce Tax Avoidance Through Corporate Earnings Stripping and Expatriation		118	113	206	377	420	467	484	506	527	549	1,235	3,772

Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
Provisions Relating to Tax Shelters													
A. Taxpayer-Related Provisions													
1. Provisions relating to reportable transactions and tax shelters (sections 3001, 3002, 3003, 3004, 3005, 3006, 3007, and 3008)	various dates after DOE [14]	92	115	119	120	124	131	139	150	164	179	570	1,333
2. Modifications to the substantial understatement penalty for nonreportable transactions (section 3009)	tyba DOE	---	8	11	19	23	26	30	34	38	38	61	227
3. Modification of actions to enjoin certain conduct related to tax shelters and reportable transactions (section 3010)	da DOE	----- <i>Negligible Revenue Effect</i> -----											
4. Impose a civil penalty (of up to \$5,000) on failure to report interest in foreign financial accounts (section 3011)	DOE	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	[13]	1	3
5. Regulation of individuals practicing before the Department of Treasury (section 3012)	ata DOE	----- <i>No Revenue Effect</i> -----											
B. Other Provisions													
1. Treatment of stripped interest in bond and preferred stock funds (section 3021)	pada DOE	11	8	3	[13]	[13]	[13]	[13]	[13]	[13]	[13]	23	24
2. Minimum holding period for foreign tax credit on withholding tax on income other than dividends (section 3022)	apoamt 30da DOE	1	3	3	3	3	3	3	3	3	3	13	28
3. Affirmation of consolidated return regulation authority (section 3023)	[15]	----- <i>Negligible Revenue Effect</i> -----											
4. Disallowance of partnership loss transfers (section 3024)	ctada DOE	18	39	57	70	79	84	86	89	91	94	264	708
5. No reduction of basis under section 734 in stock held by partnership in corporate partner (section 3025)	da DOE	5	13	20	28	36	44	51	54	56	57	101	364
6. Repeal of special rules for FASITs (section 3026)	tyba 12/31/03	----- <i>Negligible Revenue Effect</i> -----											
7. Limitation on transfer of built-in losses on REMIC residuals (section 3027)	ta DOE	[13]	2	4	6	8	10	13	16	19	22	20	100
8. Clarification of banking business for purposes of determining investment of earnings in United States property (section 3028)	DOE	---	7	13	14	16	18	20	21	22	23	50	154
9. Clarification of exemption from tax for small property and casualty insurance companies - reform of 501(c)(15) to apply to organizations with gross receipts not exceeding \$600,000 and premiums at least 50% of gross receipts (section 3029)	tyba 12/31/03	48	105	118	124	129	134	139	145	151	157	523	1,249
10. Modification of definition of insurance companies other than life insurance companies (section 3030)	tyba 12/31/03	1	2	2	2	2	3	3	3	3	3	11	24
11. Permit private sector debt collection companies to collect tax debts (net of outlays) (section 3031) [16]	DOE	---	70	129	131	116	106	106	106	106	106	445	973
Total of Provisions Relating to Tax Shelters		176	372	479	517	536	559	590	621	653	682	2,082	5,187
Trade Enhancement and Compliance Provisions													
1. Repeal of exclusion for extraterritorial income [17]	[18]	932	2,110	4,239	5,323	5,511	5,728	5,993	6,258	6,518	6,789	18,115	49,401
2. Extend Customs User Fees:													
a. Passenger and conveyance processing fee (through 9/30/06) [19]	10/1/03	273	377	396	---	---	---	---	---	---	---	1,046	1,046

Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
b. Merchandise processing fee (through 12/31/13) [19]	10/1/03	992	1,042	1,094	1,149	1,206	1,266	1,330	1,396	1,466	1,539	5,483	12,480
Total of Trade Enhancement and Compliance Provisions		2,197	3,529	5,729	6,472	6,717	6,994	7,323	7,654	7,984	8,328	24,644	62,927
NET TOTAL		-14,348	-48,132	-37,642	-11,010	-4,073	3,402	-37	-3,160	-5,342	-7,865	-115,203	-128,201

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:

- | | | |
|---|---|--|
| aa = acquisitions after | DOE = date of enactment | rra = risk reinsured after |
| adi = amounts deferred in | DOI = date of introduction | saptoea = stock acquired pursuant to options exercised after |
| apoamt = amounts paid or accrued more than | ea = expatriations after | ta = transactions after |
| aro/a = amounts received on or after | eatma = elections and terminations made after | teia = transactions entered into after |
| ata = actions taken after | lf = losses for | tma = transfers made after |
| ctada = contributions, transfers, and distributions after | pa = periods after | tyba = taxable years beginning after |
| da = day after | pada = purchases and dispositions after | tyea = taxable years ending after |
| Da = distributions after | pma = payments made after | 30da = 30 days after |
| DOA = date of announcement | ppisa = property placed in service after | |

- [1] H.R. 2896 contains a typographical error that would cause the three-percent phaseout of certain benefits of tax rates less than 35 percent to begin at a taxable income of \$10 million rather than at a taxable income of \$15 million as provided under present law. The estimate of the provision is based on the phaseout beginning at \$15 million.
- [2] Effective for dividends repatriated during the first 6 months of the first taxable year beginning on or after the date of enactment or the 6-month period elected during the last taxable year beginning before the date of enactment.
- [3] Loss of less than \$500,000.
- [4] Effective for taxable years of foreign corporations beginning after December 31, 2005, and taxable years of United States persons owning stock in such corporations with or within such corporation's taxable years end.
- [5] Effective for taxable years of foreign corporations beginning after December 31, 2004, and taxable years of United States persons owning stock in such corporations with or within such corporation's taxable years end.
- [6] Estimate accounts for interaction with reduction to 2 foreign tax credit baskets in item K.3.
- [7] Pre-effective date excess credits carried forward to new basket that would apply under new system.
- [8] Effective for excess foreign taxes that may be carried to the first taxable year beginning after December 31, 2004.
- [9] Loss of less than \$1 million.
- [10] Effective for dividends with respect to taxable years of regulated investment companies beginning after the date of enactment.
- [11] Effective for taxable years beginning after 2003, and taxable years ending after March 4, 2003, for "surrogate" corporations with lookback to December 31, 1996.
- [12] Generally effective March 4, 2003.
- [13] Gain of less than \$1 million.
- [14] Effective dates for provisions relating to reportable transactions and tax shelters: section 3001 is effective for returns and statements the due date of which is after the date of enactment; section 3002 is effective for taxable years ending after the date of enactment; section 3003 is effective for taxable years for which the statute has not run as of the date of enactment; section 3004 applies to all taxable years for which the statute of limitations under section 6501 has not run as of the date that the bill is enacted; section 3005 is effective for transactions with respect to which material aid, assistance or advice is provided after the date of enactment; section 3006 is effective for returns the due date for which is after the date of enactment; section 3007 is effective for requests made after the date of enactment; and section 3008 is effective for activities after the date of enactment.
- [15] Effective for all taxable years, whether beginning before, with, or after the date of enactment.
- [16] Breakout of outlay effects:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2004-08</u>	<u>2004-13</u>
Private sector debt collection	---	-22	-43	-43	-38	-34	-34	-34	-34	-34	-148	-323
- [17] Estimate takes into account interactions among international proposals, with exception of interaction between reduction to 2 baskets and allowing shipping income to be deferred, with the interaction between these two items reflected in the shipping deferral line.
- [18] Generally effective after 2003, with transition for transactions during 2004 and 2005.
- [19] Estimate provided by the Congressional Budget Office.